



Free Questions for *Series-7* by *certscare*

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Question 1

Question Type: MultipleChoice

Bubba Corporation has net income of \$4,200,000. It has 100,000 outstanding shares of 8% preferred stock (\$100 par value) and 400,000 shares of common stock (\$10 par value).

What are the earnings per share of common stock?

Options:

A- \$8.50

B- \$6.00

C- \$4.20

D- \$10.50

Answer:

A

Explanation:

\$8.50. Subtract the preferred dividend of \$800,000 ($100,000 \times 8\% \times 100$) from the net income. Divide the result of \$3,400,000 ($\$4,200,000 - \$800,000$) by the 400,000 common shares to obtain \$8.50.

Question 2

Question Type: MultipleChoice

Which of the following items is not deducted to determine a corporation's net income?

Options:

- A- taxes
- B- dividends
- C- interest
- D- all of the above

Answer:

B

Explanation:

dividends. Net income is determined before dividends.

Question 3

Question Type: MultipleChoice

Book value of a corporation is also known as:

Options:

- A- net tangible asset value per share
- B- intangible value
- C- par value
- D- dilution value

Answer:

A

Explanation:

net tangible asset value per share. Book value is much easier to say.

Question 4

Question Type: MultipleChoice

Which of the following is considered an intangible asset?

Options:

- A- marketable securities
- B- trademarks
- C- accounts receivable
- D- furniture

Answer:

B

Explanation:

trademarks. Intangible assets are those whose true value cannot be determined, but there is some supposed market value.

Question 5

Question Type: MultipleChoice

Which of the following persons would consider annual reports of a corporation as the most important factor in making investment decisions?

Options:

- A- a technical analyst
- B- a chartist
- C- a follower of the Dow theory
- D- a fundamental analyst

Answer:

D

Explanation:

a fundamental analyst. These analysts are guided by computations about a company's performance using data in annual reports.

Question 6

Question Type: MultipleChoice

The accounting statement that represents a company's financial position on a particular date is the:

Options:

A- income statement

B- balance sheet

C- Profit and Loss

D- cash flow statement

Answer:

B

Explanation:

balance sheet. This report reflects the entire condition of the company by showing all assets, liabilities, and components of net worth.

Question 7

Question Type: MultipleChoice

When a corporation issues a nonconvertible debenture, what is the effect upon its net worth?

Options:

A- it increases

B- if decreases

C- if is unchanged

D- none of the above

Answer:

C

Explanation:

it is unchanged. The debentures add to liabilities and to cash (an asset) received from the sale. There is no effect on net worth.

Question 8

Question Type: MultipleChoice

A stock with a current P/E of 17 is selling at \$74.50 per share.

What are the company's earnings in the trailing 12 months?

Options:

A- about \$4.28

B- \$6.20

C- \$1.70

D- impossible to calculate from this information

Answer:

A

Explanation:

about \$4.28. Divide the market price by the P/E.

Question 9

Question Type: MultipleChoice

XYZ Corporation earned \$2 per share last year and is selling at \$20 per share. If it earns \$3 per share this year and its price/earnings ratio stays the same, its price will be:

Options:

A- \$20

B- \$25

C- \$30

D- \$60

Answer:

C

Explanation:

\$30. The current P/E is 10. If earnings are \$3 and the P/E is still 10, the share price equals \$30 ($\3×10).

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